

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle Public Utilities	Leanne Galati 684-0455	Karl Stickel 684-8085

Legislation Title:

AN ORDINANCE relating to the solid waste system of Seattle Public Utilities; revising rates and charges for solid waste services; revising credits to low income customers for solid waste services; offering free disposal at City recycling and disposal stations to low income customers under certain conditions; revising rates for yellow pages phone book recovery fees; establishing conditions for adjustments to 2015 and 2016 solid waste rates; establishing conditions for deposits to and withdrawals from the rate stabilization account of the Solid Waste Fund; and amending Chapters 21.40, 21.76 and 6.255 of the Seattle Municipal Code.

Summary of the Legislation:

This ordinance proposes solid waste rates for residential and commercial customers for 2013 through 2016, adjusts the low-income assistance credits for solid waste customers, offers free disposal at City recycling and disposal stations to low income customers under certain conditions, revises the yellow page phone book recovery fee, establishes conditions for midterm adjustments by City Council to 2015 and 2016 solid waste rates, and establishes conditions for deposits to and withdrawals from the rate stabilization account of the Solid Waste Fund by Seattle Public Utilities.

Background:

(Include a brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable.)

Solid Waste rates were last increased on January 1, 2012. The costs of solid waste services are supported by rates charged to solid waste customers. These rates are set in accordance with financial policies adopted by the City Council. The continuation of the recent recession has caused a drop in demand for services since rates were last set, resulting in lower-than-expected revenues. SPU has completed a rate study showing that existing rates will not provide sufficient revenues to fund planned operating expenditures and infrastructure investment from 2013 through 2016. Rate increases in 2013 through 2016 are required to allow the Solid Waste Fund to maintain strong financial performance.

In addition, the revenues from yellow book distributors are not recovering the costs associated with the program, which requires an increase in the yellow pages phone book recovery fee.

Historically, Council has typically adopted solid waste rates for a two-year rate cycle. Under this ordinance, Council adopts rates for a longer four-year rate cycle to improve predictability for City solid waste ratepayers. During this four-year period, Seattle Public Utilities expects that the Solid Waste Fund will issue significant debt to fund major facility improvements. In recognition of the importance of maintaining strong financial performance to reduce Solid Waste Fund

borrowing costs, City Council has expressed willingness to adopt midterm adjustments to 2015 and 2016 solid waste rates if the Solid Waste Fund is not projected to meet financial targets in those years due to lower revenues, higher contract inflation, or other unanticipated expense, as approved by Council, that is not assumed in the rates adopted under this Ordinance. City Council also reserves the right to make a downward midterm adjustment to rates if stronger than projected performance would allow the Solid Waste Fund to meeting 2015 and 2016 financial targets at lower rates. This ordinance also specifies conditions for the movement of revenues and cash that exceed rate study projections to and from the Solid Waste Fund's rate stabilization account. While there has not been movement of funds in and out of the Solid Waste Fund rate stabilization account for many years, use of this mechanism will enhance the Solid Waste Fund's ability to meet financial targets across the longer rate cycle by using revenues and cash set aside in years with strong performance to address shortfalls in years with leaner financial performance.

A complete description of the 2013-2016 rate package is contained in the 2013-2016 Solid Waste Rate Study, which is attached to the fiscal note for C.B. 117522.

Please check one of the following:

☐ **This legislation does not have any financial implications.**

(Please skip to "Other Implications" section at the end of the document and answer questions a-h. Earlier sections that are left blank should be deleted. Please delete the instructions provided in parentheses at the end of each question.)

☒ **This legislation has financial implications.**

(If the legislation has direct fiscal impacts (e.g., appropriations, revenue, positions), fill out the relevant sections below. If the financial implications are indirect or longer-term, describe them in narrative in the "Other Implications" Section. Please delete the instructions provided in parentheses at the end of each title and question.)

Anticipated Revenue/Reimbursement Resulting from this Legislation:

(This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.)

Fund Name and Number	Department	Revenue Source	2012 Revenue	2013 Revenue
Solid Waste Fund 45010	Seattle Public Utilities	Solid Waste Services	\$0	\$5,818,718
TOTAL			\$0	\$5,818,718

Revenue/Reimbursement Notes:

The 2013 revenues are the additional solid waste revenues resulting from the increase in SPU's solid waste rates. The 2013 revenues represent the difference between revenues calculated at 2012 rates and at proposed 2013 rates, using 2013 demand assumptions in both cases.

Spending/Cash Flow Notes:

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

(If yes, explain them here.)

No.

b) What is the financial cost of not implementing the legislation?

(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs.)

The Solid Waste Fund would not fully recover the cost of its solid waste operations.

c) Does this legislation affect any departments besides the originating department?

(If so, please list the affected department(s), the nature of the impact (financial, operational, etc), and indicate which staff members in the other department(s) are aware of the proposed legislation.)

Several City departments incur solid waste costs. These departments' costs will increase commensurate with the rate increases proposed in this legislation (by 6.3 percent in 2013, 4.1 percent in 2014, 4.3 percent in 2015 and 3.4 percent in 2016). The appropriation impacts will be included in the 2013-2014 Proposed Budget and subsequent budget legislation.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives? (Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)

Not raising solid waste rates at this time would result in the Solid Waste Fund failing to recover the cost of its operations in accordance with its financial policies. Alternatively, the Fund could meet its financial policies without raising rates by cutting the cost of its operations; however, this would result in an inability to pay for basic operations or make important investments in the system.

e) Is a public hearing required for this legislation?

(If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned for the future?)

No

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

(For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.)

No

g) Does this legislation affect a piece of property?

(If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.)

No

h) Other Issues:

None

List attachments to the fiscal note below: